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ON THE DRY SIDE 173      SIR HAL COLEBATCH      John Hyde

Our political system does not encourage those who have minds of their own to express opinions. I have therefore sometimes wondered whether it is possible for a politician who allows his intellect to rule his advocacy and who is not constantly for any faction, including the party which endorses him, to get to the top.

An as yet unpublished political biography of Sir Hal Colebatch by Brian de Garris describes such a man who did get to be Premier of Western Australia - for a month.

Sir Hal was also an early 'dry' who once owned and edited the Northam Advertiser, was a West Australian Legislative Councillor, Premier (for the shortest time on record), and in the 1920's and 30's Western Australian Agent General in London (for the longest time on record), and Senator.

Politicians more than half a century later are acquainted with many of the political battles he fought. The blatantly self-serving arguments of the tariff lobby, the States' rights arguments, the rush of legislation at the end of parliamentary sessions, governments by-passing parliament with regulations (Sir Hal's initiative established the Senate Regulation and Ordinances Committee), disputes about the level of government debt, and the endless argument about the consequences of the arbitration commission are familiar. Standing out from all these are Sir Hal's own views which did not always coincide with those of Nationalist and United Australia Parties.

Colebatch's period in the Senate immediately preceded and coincided with the worst years of the economic depression for Australia. He stressed three economic points: the follies of protection and of excessive borrowing overseas, and the rigidity of the wage/cost/price structure caused by compulsory arbitration. Similarities with today are disquieting.

Unfortunately there is no agreement on the causes of the 1929 collapse and the subsequent deep and prolonged depression. However we know that during the 1920s the United States greatly expanded the supply of credit internally and to the rest of the world. This financed the stock exchange hype which collapsed in October 1929. President Hoover had argued that even bad loans helped American exports and jobs but these bad loans were, in due course, a cause of the collapse.

In the 1920s interest rates had been kept artificially low, as they were during the 1970s: this had caused uneconomic investments. Some industrial stocks were selling for fifty times earnings. In December 1928 the New York stock exchange index had been 245, by September 1929 it had risen to 452 and by November it was back to 224. There had to be a shake-out, as there had been in 1921, but this time the economy did not recover quickly.

While the United States was making unsound loans Australia was incurring unsound debts and the relative price of wheat, meat and minerals (except gold) was falling so that our grandparents' ability to service the debts they had incurred only a few years before was diminished. In 1932 under the four headlines, 'Short Term Debts', 'Funding Difficulties', 'Embarassing Situation' and 'London Loan Renewal Prospects Not Bright', The Age started a story with, 'When will Australian Governments learn to live within their means?' When will they indeed?

Like Australia, post World War I United States was protectionist. In 1922 the Congress passed the Fordney-MacCumber tariff act. Long before 1929 the Americans had rejected the 'laissez fair', free trade, hard money approach in favour of protection and inflation.

In 1930 the Hawley-Smoot Act struck another devastating blow to trade. (This act was also a cause of World War II.) President Hoover, the conservative engineer, set up committees and trade councils, encouraged employers to keep wages up and started a program of public works. In America, average real wages actually increased during the depression, as they did in Australia.

The British economist and author Paul Johnson put it this way: 'Hoover's corporatism - the notion that the state, business, the unions and other Big Brothers should work together in gentle but persistent and continuous manipulation to make life better - was the received wisdom of the day, among enlightened capitalists, left wing Republicans and non-socialist intellectuals. Yankee-style corporatism was the American response to the new forms in Europe, especially Mussolini's corporatism.'

There are no prizes for detecting similarities between the twenties and the years from 1973 to 1986. Of the differences, perhaps the most important is that in the eighties real interest rates have been allowed to rise.

Colebatch saw some of the impending problems. His preoccupation with the harm that tariffs were doing Australian industry was fundamentally like Senator Button's plaintive, "I don't know who invented the bloody j curve but it was not an Australian who learnt about the Australian economy [which involves] the turning around of traditional Australian industry with management that has grown up under the wrong policy settings."

It is reasonably certain that there will be some j curve effect within the next half year. It is almost as certain that the trade recovery will be nowhere near sufficient to put the current account into surplus or to avoid belt tightening - that is a recession or depression.

The left-wing economist J K Galbraith said, 'One of the uses of depressions is to expose what the auditors fail to find.' I think he is right and doubt that a depression of some degree can now be avoided. But whether it is a short-lived self-adjusting affair or

a prolonged painful mess like that of 1929 to 1934 will depend on how quickly the necessary adjustments take place. If the world reacts as it did in the late twenties and early thirties it will suffer as it then suffered.

Were he still alive, I wonder what advice old Sir Hal would offer.